

GLOBALISATION IN HISTORICAL PERSPECTIVE - WHAT IS NEW ABOUT THE GLOBALISATION PROCESS?

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1 - Introduction¹

The numerous, contradictory analyses made of ongoing socio-economic changes, for which the expression *globalization* has been widely accepted, can be grouped together under two fundamental arguments. One argument seeks to detect a new economic age in these processes of change, identifying its distinctive features and even building a theory of its dynamics. The other argument is that globalisation, in the form that it is understood by the first group, is actually a myth. Both arguments naturally have their strong and weak points.

Seen from a historical perspective, the strength of the first argument lies in the way it stresses the importance of supranational spaces, and in particular the world economy, as a relevant space for socio-economic analysis, whereas the strength of the second argument lies in the comparative analysis that it makes of two historical periods separated by almost an entire century: the final decades of the nineteenth and twentieth centuries.

This paper seeks to improve on the analysis of continuity and disruption in the historical process by attempting to answer the question: «What is new about the globalisation process?" In order to do this, we shall first identify the most generally accepted features of this process and then attempt to break down the question into what would seem to be relevant sub-questions in this context:

Does globalisation represent a new economic age? Does it imply relevant economic spaces? Does it imply a new economic system?

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Is globalisation a new phase of modern economic growth (MEG) [Kuznets (1966)]? Does it imply a new international economic order?

2 - The globalisation process

For the purposes of our analysis, it would be useful to summarise the main trends in the globalisation process and not just accept its narrowest meaning or most visible outcome: the growing integration of the national economies that together comprise the contemporary world economy.

Looking at matters from what is naturally an economic viewpoint, but not forgetting that we are dealing with something that must be seen as a total social reality, we can say that it is fairly widely accepted that the following mutually interdependent trends in social change can be identified in technological, organisational, institutional and spatial terms:

- (i) The ever faster introduction of technological innovations, particularly the developments taking place in the area of information technology, optical fibres and miniaturisation, notably greater access and integration into the information network. Equally important innovations have taken place in the field of energy production, particularly with the development of biotechnology, the biomass and superconductors, although the spread of these has been relatively slow. The impact of such innovations has been felt through the rapid decrease in both general costs and transaction and information costs in particular;
- (ii) The move towards smaller and more flexible production systems, on the one hand, and greater recourse to external supplies, on the other hand. Such innovations are designed to combine the advantages of mass production, based on the so-called Taylorist-Fordist model (velocity and low unit costs), with the advantages of handycraft (quality and product differentiation), through the continuous introduction of innovations, making better use of the knowledge and creativity of the productive system and reducing bureaucracy in favour of market mechanisms as a means of directing relationships between the various units involved in the production processes;

- (iii) The change in the way the economy is organised and operates, leading to a greater predominance of market forces and private enterprise, in keeping with liberal ideology. This change, which clearly affects the role played by the state in the economy, is designed to increase productive efficiency and encourage innovation. Two effects are particularly noticeable in this process of change, both of which have a markedly social component: the greater flexibility of the labour market and the reduced supply not only of social services, but also, as a result of technological innovations, of some of the goods that until quite recently were considered to be public or quasi-public from a technical viewpoint;
- (iv) The change in the way the political system is organised and operates, with the greater spread of liberal democracy. This process does, in fact, run parallel to the economic process mentioned above, in which the market is considered to be the most democratic form of expression of the needs and wishes of society. The social consequences of this are quite significant and contradictory: the reduction and alteration in the means of social control encourages greater social participation but it also increases the possibility of new divisions and social conflicts, often of ethnic and cultural nature. This is a trend that has been encouraged, amongst other factors, by the greater accessibility and lower cost of information technologies which, since they are free of any effective control, escape the kind of infernal censorship typically imposed by repressive regimes;
- (v) The change in the economic space, with the increasing integration of national markets in production factors, goods and services and a greater homogeneity in cultural patterns, particularly the patterns of consumption, based on the role played by companies with productive systems operating in different national spaces and, naturally, as a consequence of the technological, organisational and institutional innovations that have been summarised here.

3 - Does globalisation represent a new economic age?

This question relates to the identification of a possibly new economic age beginning some 10-15 years ago, i. e. the so-called *global era*, and

involves discovering whether, in its basic aspects, the age of MEG, which first began roughly 200 years ago, has been dismantled and is being replaced by new structures and operating patterns that may come to represent a distinct process in the long run.

Very briefly, the main distinguishing features of this economic age in relation to earlier ones are:

- (i) The rapid and sustained increase in the average standard of living;
- (ii) A modern economic structure characterised by industrialisation and tertiarisation processes;
- (iii) The formation of relevant new economic spaces: national economies and the contemporary world economy;
- (iv) The predominance of the capitalist market economy as a means of organising and operating the economy.

3.1 - The rapid and sustained increase in the average standard of living

In the age of MEG, the rapid and sustained increase in the average standard of living is considered to derive from the significant increase in the productivity of economic resources, largely as a result of technological, organisational, institutional and geographical innovations. Such innovations are, in turn, a consequence, more than anything else, of the systematic application of scientific knowledge, in its broadest possible sense, to the economic activities of production.

It does not seem possible to deny that this has become a permanent feature of our modern day and age, nor is it possible to envisage any decisive change in this pattern in either the short or medium term, although some evolution can be expected in the meaning of the term *standard of living*.

In fact, even allowing for the impossibility of guaranteeing the continuing growth in the standard of living in strictly quantitative terms [Nunes & Valerio (1997, 236--241)] there is still no sign of any real belief that the cultural patterns of humankind are inevitably bound to change, with less priority being given to increased consumption. Besides the inherent sluggishness of changes in cultural structures, two extra-cultural factors have contributed to this continuity: on the one hand, the tendency, albeit slow, for MEG to spread into areas that have not yet entered into this new age, which, as historical experience clearly shows, will result in a more or

less rapid increase in the levels of consumption of material goods in these areas; on the other hand, the effect of the most recent innovations in the field of communications, namely in the mass media and particularly in the area of television linked to video and satellite networks, but also in terms of the Internet and even in relation to strictly private forms of communication, such as the telephone, which have promoted and created expectations of highly diversified patterns of consumption.

It should also be noted that the increasing awareness of the environmental and social problems inherent in current patterns of consumption, particularly the external diseconomies inherent in economic activity, has not yet had any significant repercussions in terms of alterations to social accounting. The most commonly used indicators of the average standard of living continue to be based on the traditional assessment of GDP or its equivalent. Of those attempts that have been made to construct indices of progress and social welfare, some of which are already quite old [Sklair (1995, 21-23)] and inherently contain a less strictly quantitative concept of the standard of living or quality of life, only the UN's index of human development, which involves no more than three indicators, has been used to any real extent. Rather than bringing about any changes in cultural aspects, the worsening of these problems will tend to encourage innovation with the aim of substituting and saving polluting energy forms and materials, without this having any notable repercussions on the growth rates of GDP per capita or any other indicator of social welfare.

Finally, there is no need for us to demonstrate or exemplify the fact that worldwide growth in the levels of GDP and average consumption continues to depend on the application of science to economic activity, through innovations that create new goods and services or reduce the cost of others, thereby increasing and spreading consumer demand for them. As has been the case for the past 200 years, increases in GDP per capita continue to be the result, more than anything else, of an improvement in the quality of the factors of production [Maddison (1995, ch. 2)]. The phase of mass consumption first heralded in the USA in the 1920's continues its spread in regional terms and its diversification in terms of products.

3.2 - The economic structure

The alteration to the economic structure that has been inherent in the more successful processes of MEG, particularly in so far as the sectoral composition of economic activity and the sectoral use of productive resources are concerned, can be clearly seen by the fact that the economy has begun to obtain most of its product and invest most of its resources in manufacturing industries in the broadest sense of the term (including transport and communications [Kuznets (1971)] and services. Typically, the first phases of MEG witnessed a rapid growth in manufacturing activities, whilst recent decades have been characterised by a gradual process of tertiarisation. The causes of such a process of evolution are, on the one hand, the alterations taking place in the pattern of demand associated with an increase in the average standard of living and the different demand-income elasticities for the various goods and services, and, on the other hand, the different sectoral incidence of innovations.

The last few decades clearly show that there has been a continuing accentuation of this trend, namely the rapid growth in the relative importance of services. Such a shift now occurs not only in detriment to the agricultural sector (which had the largest increases in productivity in the post-war period), but also in detriment to the secondary sector, and the explanations for this phenomenon remain perfectly valid [Maddison (1991, 73-74)]. In fact, until the Second World War at least, technical progress was much more rapid in the sectors that produced goods rather than those that produced services, where productivity levels consequently tended to remain relatively low. This aspect justifies the fact that already during the inter-war period there was a tendency for the tertiary sector to outscore the secondary sector in terms of employment structure, namely with there being a greater share of the active population employed in services [Kuznets (1971, 249-258) and Maddison (1995, 38)]. It should, however, be noted that in the overwhelming majority of OECD countries a major share of the GDP was already being produced by the tertiary sector (more than 50%) as early as 1970 [OECD (1998)]. Naturally, the point at which the economic structure begins to change varies from national economy to national economy and the way in which the subsectors, particularly transport and communications, are classified affects the precise identification of these decisive moments.

The apparent difficulty that the developed countries have had in replacing labour with capital in the services sector has only been overcome with the latest wave of innovations, and, in regard to organisational aspects, because of the sector's technical characteristics (the need for simultaneous production and consumption), this restructuring is also linked to the process of deregulation and privatisation first begun almost two decades ago, as well as to the continuing internationalisation or globalisation of productive structures. It should be noted that the changes in the organisation of the productive system, which we referred to in the first section, also meant that certain services that were traditionally accounted for in the industrial sector (since they were in fact provided by industrial companies) began to be accounted for in the tertiary sector, because they were subcontracted out to specialist companies, thereby causing these trends to develop even faster.

On the other hand, it should be noted that one of the indicators in which the intensification of these processes of integration is most evident is that of direct foreign investment (DFI) linked to the activities of multinational or transnational companies. As is shown by Adda (1997 I, 120-121), if the first wave of DFI was fundamentally directed at the exploitation of raw materials and the second postwar wave was fundamentally aimed at the industrial sector, the current wave of investment is directed in particular at the services sector, which is responsible for the exceptionally rapid growth in these flows of investment [*The Economist* (18-10-1997)]. According to the former author, because of the technical characteristics of services, competing in this area internationally requires setting up companies in the respective markets, an action which has in fact been made possible through the rapid reduction in state monopolies in sectors such as electricity, water, telecommunications, air transport, banking and insurance. Traditionally private activities, frequently linked to multinational companies, such as advertising companies, consultancy firms, travel agencies, hotel and catering businesses or the media (news agencies, TV networks) have also expanded in this same context.

Whilst it seems undeniable that a significant increase in demand was brought about by the sharp fall in the prices of services² as a result of the impact

² Using data provided by the World Bank and the IMF as its source, *The Economist* (18-10-97) mentions that between 1975 and 1995 the cost of processing information by computer technology fell at a rate of roughly 30% per year in real terms, and

of different innovations and their rapid spread throughout this sector (including the emergence of new products), it also seems clear that the demand-income elasticity of services such as entertainment, tourism, education, information, savings management, etc., is positive.

3.3 - The relevant new economic spaces

The age of MEG has led to the creation and consolidation of new economic spaces, namely the contemporary world economy and the national economies.

3.3.1 - *The contemporary world economy*

As was said earlier, the strictest meaning given to the term globalisation is that of an increasing integration of the national societies and economies that together make up the contemporary world economy.

Strictly speaking, the evolution of humanity over the very long term may be seen as a process involving the creation and progressive expansion of global spaces, i. e. spaces that are self-sufficient in terms of fulfilling basic social functions. In relation to the economic function, it is possible to talk of global economies in the sense of self-sufficiency in terms of essential goods (both resources and final products). Such self-sufficiency is achieved through the interdependence of economic units that is itself based on degrees of specialisation of greater or lesser complexity, whether in terms of sectors (local economies) and regions (world-economies), and on forms of competition that can similarly be of greater or lesser complexity.

Until roughly 200 years ago, there existed various spaces with these characteristics. These then grew slowly in demographic and economic terms, experiencing recessions and, in some cases, disintegrating or being integrated into more complex types of spaces: the world-economies [Braudel (1989)]. Such evolution was compatible with traditional societies and economies characterized, amongst other things, by the low incidence and irregularity of innovations. Since then, the application of science to economic activity has given rise to a new

that in 1996 the price of a 3-minute telephone call between London and New York cost only \$1 as opposed to \$300 in 1930, at 1996 prices.

economic age (MEG) in which modern societies and economies have created the conditions necessary for the formation of one single space with these characteristics, the contemporary world economy, as the single global space existing at the level of the planet itself. This process, which was essentially completed at the end of the nineteenth century, thanks to the innovations introduced in several sectors of activity, and particularly in transport and communications, corresponds to a period of acceleration, expansion and intensification in the economic relations between the different economic spaces existing in the world.

Thus, the major disruption in terms of global economic spaces involved a change from a situation in which there existed several global spaces to a situation in which there was only one space with this characteristic. In fact such a change occurred at the turn of the last century. It should be noted that the changes that have been taking place as we draw towards the end of this century, namely the greater integration of the centrally managed socialist economies and the heavily pro-market strategies of the new industrial countries, have not essentially altered the situation that was created at that time. The earth's orbital space stations and the physical accessibility of other planets do not yet represent the formation of new economic spaces, nor are they expected to do so in the short or medium term, not even if they should come to be integrated into an extra-terrestrial world-economy. We shall return to this question in section 4.2.

3.3.2 – *The national economies*

The contemporary world economy is composed of several partial economies, which are not in themselves self-sufficient in terms of essential goods, and which, through the process of MEG have come to represent a specific type of economy that is most commonly referred to as a national economy. In simple terms, a national economy is characterized by the unity and specificity of its economic system - which makes it a customs space, a monetary space, a fiscal space and a legal space - and of its economic policy - which makes it a political space [Nunes & Valério (1995, 47) and Valério (1996, 11-13)].

How should the changes that are taking place at the end of this century be seen in such a context?

There are three aspects that are normally highlighted as being essential *features* of the global era: the intensification of the economic integration of national spaces at a worldwide level, the global logic of productive systems and the limits imposed on the use of the traditional instruments of economic policy by national economies and states. The question therefore involves discovering whether this process is causing national spaces to disappear as relevant economic spaces and also whether, in more concrete terms, these spaces no longer represent political spaces. We shall deal with the first of these three aspects in this section and the second and third aspects in section 3.4.

As far as the first aspect is concerned, it has already been stressed that the real qualitative leap forward occurred roughly a century ago when the technical and institutional means then available led to the formation of genuine national economies, whilst at the same time making it possible for them to create the contemporary world economy [Foreman-Peck (1995, ch. 6-9)].

Yet, even the identification at the end of this century of a conspicuous quantitative increase in the flows of factors and goods between national economies remains a source of some controversy. A great deal of empirical evidence has been gathered together for the analysis of this question [Hirst & Thompson (1996), Bairoch (1997) and *The Economist* (18-10-97 and foil.)]. There would be no point here in our simply restating the question, but it can be said in a very general and summary fashion that, in absolute terms, the figures show a significant increase in the rate of these flows and an equally significant decrease in the national control over the movement of final goods and resources (except, in the case of this latter aspect, for labour)³.

However, in relative terms, namely when flows are measured against national products or population size, the general conclusions are much less spectacular, with the result that it is possible to see lower levels of integration m

³ This intensification does, however, vary quite sharply depending on the respective economy and type of goods involved. In the case of trade in goods in worldwide terms, there has been little notable fluctuation in its overall behaviour, with it continuing to follow a trend that, strictly speaking, started at the beginning of the 1950's, both in value and in terms of economic policies. In the case of resources, however, fluctuations have been much greater in reaction to the crises provoked by external shocks. As far as migrations are concerned, although immigration increased slightly during the 1980's and at the beginning of the 1990's, despite the strict controls exercised by most European countries and the USA in response to the recession in the 1970's, such flows have clearly slowed down as a result of the greater restrictions introduced in recent years in most developed countries, so that there has in fact been a fall in the proportion of immigrants in the total population. In the case of financial flows, there has been a particularly rapid increase and mobility in this area over the last ten years. This is due to the fact that it is in this area that technological, organisational and institutional innovations have had the greatest impact, most precisely in the form of telecommunications via satellite and the greater spread of information technology, the greater specialisation of financial and capital markets and the widespread removal of controls over the movement of capital, first introduced in England in 1979.

the world economy, or rates that are just beginning to recover in relation to the beginning of the century⁴.

It should be added that, as we near the end of this century, the globalisation process, which has been claimed to involve the gradual disappearance of national spaces, has been accompanied by parallel and similarly intense processes of regional economic integration, of varying degrees of formality and incorrectly described as reflecting a régionalisation process, an aspect that will also be dealt with later in section 4.2. This whole process has consisted of the setting up of spaces tending to take on the characteristics of a national economy and comprising several national states. Not only has their formation run parallel to the intensification of the globalisation process, but they have also been an important contributory factor in this same process. Their use as an instrument of regional protection for economies that are in a state of stagnation or recession and represent a potential obstacle to globalisation, has been overcome by the favourable effects resulting from the gradual attempts made by many national economies to remove impediments to the mobility of economic flows, stimulate competition, introduce legislative reforms and standardise policies (potentially reducing the number of organisations in the world that have sovereign control over economic policy)⁵.

As was the case with many aspects of globalisation, the processes of regional economic integration fundamentally began in the period immediately after the Second World War and have increased in intensity over the last few decades. However, the organisations and mechanisms that have typically acted as the driving forces behind the two processes are quite distinct: as Oman (1994, 16) says, in the first case the process is fundamentally microeconomic in nature, whereas the second process is basically political. We shall return to this question once more in section 3.4.

⁴ Naturally over recent years it has been possible, in certain aspects, to see distinct patterns in international flows, denoting alterations in the relative importance of the factors or resources that lie behind the integration processes. If the formation of the contemporary world economy was fundamentally based on the revolution taking place in the transport system and was expressed more than anything else in the greater integration of commodity markets, in the last few decades it has been the fall in the price of communications, more than the fall in the price of transports, that has been the driving force behind the greater integration of markets, and of the financial and services markets in particular.

⁵ It should be noted that, according to the available data, these supranational spaces are largely responsible for the intensification of the international flows recorded towards the end of this century, and particularly for the rapid integration of the so-called emerging markets [Bowles & Maclean (1997, 183-197)].

It should, however, be noted that, strictly speaking, no process of economic integration has yet been completed, unless one takes into account the processes of economic unification that took place in the nineteenth century, a fact that similarly underlines the resistance of the national economy to any attempts made to reduce its particular importance.

3.4 - A new economic system

With the advent of MEG, evident changes were made to the organisation and functioning of the economy. On the one hand, there was an overwhelming predominance of specialised economic units at the functional and sectoral levels of production, whilst on the other hand there was a predominance of capitalist trade based on the specialisation in production between distinct economic units, particularly in the form of private enterprise, in detriment to self-consumption, and a predominance of the market as a form of economic regulation in detriment to routine and the more or less all-inclusive forms of command — see Nunes & Valerio (1995, 47-60). There were also situations, at the level of national spaces, where socialist trade was based on the specialisation in production between distinct economic units, particularly in the form of state or public enterprise, and where centralised planning, as a form of regulation, prevailed over both routine and market forces. However, this way of organising and operating the economy, which is currently being rapidly dismantled, has never prevailed at the level of the contemporary world economy.

It is this aspect which lies at the centre of the two controversial questions relating to national economies that still remain unanswered from the previous section: firstly that of the possible existence at the present moment of a global logic of production systems closely linked to a new and specific type of economic unit; secondly that of the limits imposed on the use made of the traditional instruments of economic policy by national states, or, in a more general sense, on their intervention in the economy, which is connected to different forms of economic regulation. Although these two aspects are interrelated, we shall look at them separately.

The typical economic units of the globalisation process are the multinational companies. These are the great driving forces behind the processes

of economic integration, namely the mobility and expansion of the flows of goods (roughly V_3 of international trade corresponds to trade between multinational companies) and capital, especially from direct foreign investment and technology [*The Economist* (22-11-97)]. Their enormous flexibility in being able to alter the location of their productive activity at a worldwide level means that they are perfectly suited to the changes taking place in the systems of production as we near the end of this century. Strictly speaking, their powerful expansion began at the beginning of the 1960's, even though the 1920's were important for their maturation and diversification and despite the fact that in several sectors they had already begun to be formed from the mid-nineteenth century onwards. Naturally, there have been alterations in the technical means at their disposal (particularly communications), just as there have been changes in the sectors in which their activity has most increased (services), in the spaces into which most of them have expanded their production networks (new industrialised countries or emerging markets) and even in their internal organisation (flexibilisation). Nonetheless, the reasons for their expansion at the end of this century are no different from the causes which led to their emergence and expansion some decades before. It should, however, be stressed that multinational companies are essentially complex economic units, with functional and sectoral specialisation in the sort of productions that are typical of the age of MEG and that have not managed to free themselves from a particular national identity. On average, roughly 50% of the assets of multinational companies are to be found in the country of origin, 50% of their production is obtained in the national space of the company's origin with $\frac{2}{3}$ of native employees. There are therefore no genuinely transnational companies as yet, i. e. ones that do not have any evident national connection, with an internationalised management and not subject to or protected by national regulations [Hirst & Thompson (1996, 19-20)].

Many people see the activities of multinational companies, and particularly their involvement in direct foreign investment, as the most important factor for restricting the scope and power of national states to intervene in the economy and, generally speaking, for reducing the importance of national economies. This trend, which is expressed in the strengthening of the market as the mechanism for regulating the economy, is naturally linked [Kornai (1990)] to the increase in private property and the liberalisation of both trade and capital movements. In this

context, the question of analysing whether there has been disruption or continuity in the economic system can be seen from two angles.

On the one hand, these facts may be seen as being in keeping with what was said earlier about the age of MEG and the functioning of the contemporary world economy, as a capitalist world-economy: the predominance of the capitalist market system, in spite of the adaptations that have been made in an attempt to turn the system into a mixed economy with a regulated market system [Nunes & Valerio (1997, 172-173)] and even despite the challenge presented by a centrally-managed socialist system at the level of a number of national economies until the end of the 1980's [Nunes (1997)] and, except for the inter-war period, the increasing openness of national economies to foreign investment.

On the other hand, it seems clear that most of the essential features of the regulated market mixed economy system, which differentiate it from the capitalist market system and have become crystallized in the form of massive state participation and interference in the regulation of economic activity, would seem to persist despite the widespread changes begun almost two decades ago.

In both these cases, the main question lies in assessing the recent evolution in the role played by the state in the economy, both in the neo-liberal context and in view of the globalisation process that has characterised this period. This subject has in fact already been analysed in great detail, and on countless occasions, both at a national and international level.

The starting point for these analyses is the fact that globalisation expands the market's power and sphere of action, whilst at the same time reducing the government's effective capacity to intervene in economic activity, since this is now clearly both counterproductive and risky. Labour regulations or other forms of control and increased taxation lead to reductions in the external competitiveness of some sectors and consequently to unemployment or the transfer of production activities and factors to other spaces. Attempts to implement social programmes give rise to levels of expenditure that in turn lead to an increase in interest rates and even serious exchange-rate problems.

Some analyses [Pelagidis (1996)] have, however, shown that the influence of the state on the economy has continued to increase even in those countries that have made most attempts at deregulation. This is what happens when we take as indicators the proportion of the GDP that is represented by total public

expenditure, the final consumption of public administrations or social security transfers. At the same time, the relative importance of taxation has changed very little, despite alterations to the structure, namely the increase in individual income tax in comparison with corporation tax. This situation reflects the fact that the mobility of the factors of production, particularly labour, is much lower than the most enthusiastic supporters of the global age would like it to be.

Although they recognise that the twentieth-century tendency for the state to play a much greater role in the economy is now being reversed, other commentators [Lipsey (1997)] underline that this changing trend is due to the voluntary and conscious attitude of the state itself, in view of its understanding of the fact that those systems in which there was a high level of state interventionism failed to find a rapid solution to the problems of the economic recession of the 1970's. In principle, therefore, deregulation was connected to the economic policy of national states, rather than resulting from identical effects that might possibly have been caused by globalisation.

It should, however, be noted that technological innovations helped to bring about organisational innovations that have since reduced the so-called imperfections of the market and indirectly allowed for a decrease in the level of direct state involvement in production and distribution in classical situations of state intervention. This is reflected in particular in the lower number of public goods and the lower number of situations of natural monopoly. However, in contrast to this, other classical forms of state intervention seem to have increased in importance, particularly the management of collective resources.

As far as the liberalisation of trade is concerned, it seems clear that this was basically the result of multilateral agreements made between the different national states under the auspices of supranational institutions and organisations. Even in those financial markets in which globalisation has been taken too far, such moves only came about as a result of institutional decisions taken by national states, namely with the decision to put an end to the control of capital movements that progressively spread out from Great Britain from 1979 onwards.

Everybody is, however, in agreement with regard to two particular aspects. Firstly, liberalisation and the new developments in communication and information technology have reduced and effectively restricted the state's power to intervene as a regulator. Secondly, these have always led to imbalances

whenever there are different rates of development, or even a contradiction in liberalisation measures, particularly capital flows, and other institutional and regulatory aspects. Examples of this are provided by the European monetary crisis that broke out in 1992-3 after attempts had been made to fix exchange rates under the EMS, or the recent financial crises in South East Asia. More than the behaviour of the multinational companies, it was «virtual money» alone (Drucker (1997)) that reduced the continuing importance of national spaces in the context of the world economy. As far as macroeconomic policies are concerned, namely monetary and budgetary policies, their implementation has been made more complicated and sensitive due to the real power of «virtual money», but essentially the basic principles for their application remain the same [*The Economist* (6-12-97)].

Even so, there are many commentators [Lipsey (1997) and Adda (1997)] who recognise that the organisational and regulatory power of the national state has remained particularly important throughout this phase and is expected to continue to do so in the more or less immediate future, although such power will be redirected towards creating a suitable environment in which economic units can function, with a view to attracting resources to the national space and helping to maintain competitiveness, towards strengthening the management of collective resources and towards providing incentives for the training of human capital and technological changes (especially for those who defend the endogenous nature of these changes). In other words, there should be a reinforcement of one of the major roles that the state has played since the end of the last century, namely ensuring the existence of the conditions for a high rate of growth of the national economy within an international context [Gerschenkron (1966)].

Finally, it should be underlined that international coordination continues to be effected by means of agreements that have themselves been reached only with some difficulty between the large national economies. Not even the institutionally most advanced supranational spaces have managed to create their own sovereignties in detriment to the sovereignty of the national spaces that comprise them. Even when the small countries lose their capacity to impose their own autonomous economic policy and only oversee its general coordination in keeping with the policy of other countries, there is nonetheless a parallel reinforcement of nationalism and the national state remains, or is seen, as a cultural and even

political safeguard, and a source of protection against the economic and social effects of globalisation [Streeck (1997)].

It is therefore possible to consider that, despite the importance of privatisation processes, the regulated market mixed economy system (in which the economic units of private enterprise have always tended to predominate) will continue to exist under essentially its present form until the end of the century.

4 - Is globalisation a new phase of modern economic growth?

The question as to whether globalisation represents a possible new phase in the age of MEG arises from the fact that phases of greater or lesser dynamism have been detected in the trend towards a sustained and rapid rise in the average standard of living, which was identified earlier as the primary feature of MEG. Although some commentators reject the idea that such fluctuations are cyclical in nature, others consider that the variations in economic activity throughout MEG can be identified as being part of a succession of cyclical movements of variable length, each of which is composed of alternate phases that express distinct positions in relation to the trend.

In a very simplified form, it will be possible to detect a phase A and a phase B, in which the real position of the movement is respectively above and below the trend. Phase A can then be broken down into a sub-phase of expansion in which the periodic movement tends to be away from the trend and a sub-phase of recession in which it draws closer to the trend, whereas phase B can be broken down into a phase of depression in which the movement tends to be away from the trend and a phase of recovery in which it moves closer to the trend. For a possible reply to the question asked, attention is drawn to the so-called Kondratieff cycles with a time period of roughly 50-55 years. Finally, a reference should be made here to, amongst others, Schumpeter's theory for explaining the occurrence of these fluctuations and long-term development: technological, organisational, institutional and geographical innovations, their tendency to occur in clusters and the chain of innovation-spread-exhaustion; alterations in the nature of demand that is partly caused by such fluctuations. A modern version of this approach, a structuralist theory of growth, is briefly presented in Lipsey (1997).

It is now possible to reformulate the question: is globalisation the process that is inherent in the beginning of a phase A of a fifth Kondratieff cycle that historical analysis has envisaged for the turn of the century?

The affirmative answer to this question was implied throughout sections 2 and 3, so that we shall now limit ourselves to providing a systematic framework for looking at some of the more relevant arguments.

4.1 - Technological and organisational changes

It is not disputed that the last two and a half decades initially corresponded in a situation of a significant slowdown in growth and a destructuring of the organisational and even institutional aspects on which the high rate of post-war growth had been based, followed by a more recent period in which «embryonary technology» [Lipsey & Carlow (1996)] spreads rapidly as improvements are introduced and new applications developed. Nor is it difficult to recognise that this period corresponds to a phase of «profound structural adjustment" in which productivity increases have continued to be slow and fluctuating, precisely because organisational, institutional and social changes have themselves been relatively slow and have become unsuitable for receiving and absorbing rapid technological changes. For those who accept the cyclical analysis, this phase corresponds to the phase of recovery in the economic cycle mentioned above [Nunes & Valerio (1995, 110-111)]. In concrete terms, microelectronics and optical fibres represent an «embryonary technology" that is fast developing into a genuine technological revolution whose main nucleus is to be found in the communications sector.

Organisational changes, namely the more flexible system of production that is being created both within the economic unit itself and between economic units and which was also referred to in section 1, have more or less kept pace with technological changes in both national and sectoral terms. Their effects upon the markets in the factors of production, where there has been a similar flexibilisation of the structure, have caused imbalances that it is difficult to control, leading to impacts that are socially and psychologically disturbing and also negative in the short term, although such effects cannot be analysed any further here in view of the limited scope of this paper. On the other hand, these organisational changes

also involve changes in those sectors that are subject to economies of scale [Lipsey (1997)]. As has generally been seen in historical terms, it is those sectors in which technical innovation is most commonly found that tend to benefit from economies of scale. Currently, this is in fact the case with services, whilst the consumer goods industry has, on the other hand, tended to benefit from economies of scope.

4.2 - Institutional and spatial changes. The international economic order

The institutional and spatial changes that have accompanied technological changes, even though they may not always have kept pace with them, represent what in general terms may be referred to as the international economic order. We suggested above that, in a similar fashion to what happened in the inter-war period (in cyclical terms corresponding to phase B of the fourth Kondratieff cycle) the last quarter of the century corresponds to a phase in which the previous economic order, which had facilitated the economically efficient use of the last cluster of innovations in the period after the Second World War, was dismantled and in which new institutions were sought that would be capable of providing the necessary framework for a new phase of rapid economic growth.

We also stressed that this demand for new institutions was based on the decisive performance of the national spaces. On the one hand, it was within these spaces that the economic systems were redefined and adapted in a general pro-liberal framework, despite important national differences⁶. On the other hand, they were also responsible, albeit with a certain *amount of* difficulty, for choosing and directing the gradual opening up of their economies to the external market, by reformulating, strengthening and creating the organisations and institutions that provide the necessary framework for the globalisation process to take place at a supra-national level, both in regional and worldwide terms.

At the monetary level, the deepening and widening of the processes of economic integration, occurring at various speeds and with varying degrees of formality, led to attempts to standardise regional economic policies and the

⁶ Attention is drawn here to the processes of transition of the centrally-managed socialist economies and also of those Asian economies that began their industrialisation and modernisation processes during this phase [Nunes (1997)].

establishment of a system of fixed exchange rates, which in Europe itself has taken on an even more formal structure. At the international level, the end of the Bretton Woods International Monetary System resulted in the setting up of a system of floating exchange rates controlled through cooperation between the central banks, particularly those of the dominant economies at a regional level — the USA, FRG and Japan— the deregulation of the financial markets and the maintenance of the IMF, which is linked to the spread of stabilisation policies in a neo-liberal context.

At the international level, the completion of the Uruguay Round in 1994, and particularly the replacement of the GATT agreement with an organisation such as the WTO, represented a significant step towards reducing protectionist systems, especially the non-tariff ones, which had been current practice until then, widening the scope of application of the different agreements and increasing their capacity for the arbitration of conflicts. Within this context, it is hoped that it will be possible to control the application of unilateral sanctions which the USA and the EEC/EU in particular have tended to implement more and more towards the end of this century.

It should be noted that the return to a general multilateralism and the clear definition of the rules of the monetary and financial system do not yet seem to have been consolidated, reinforcing the idea that the international economic order, which will probably continue to pursue a high level of economic growth based on the full development of technological and organisational innovations, still requires further stabilisation and that we now find ourselves in a phase of recovery in cyclical terms.

In a rather similar fashion to events in corresponding phases of earlier cycles, the spatial changes that are taking place as we draw closer to the end of this century are to be seen in the expansion of MEG into new spaces and the greater integration of certain spaces in the contemporary world economy. The consequences of these changes also essentially confirm the results of previous historical processes. Changes are taking place in specialization/complementarity, competition between national economies and consequently in the hierarchical structure and hegemony existing within the world economy.

In fact, the transitional processes in the overwhelming majority of the centrally-managed socialist economies, which, since the end of the last decade,

have involved a significant part of the world's economic spaces, represent an important deepening of world economic integration. They have also meant the introduction of liberal pro-market reforms, a sudden opening up to external markets, a speeding up of the tertiarisation of economic structures and a convergence of cultural patterns, particularly the patterns of consumption.

As for the spread and maturation of MEG in the so-called NIC's, or emerging markets, the models of economic growth and the actions of the respective states were a fairly exact expression of neo-liberal economic ideas and, in actual practice, represented the clearest possible demonstrations of globalisation.

It is not within the scope of this paper to analyse the consequences of the institutional and spatial restructuring currently in progress, which for some commentators represents the true meaning of the expression "international economic order"⁷. We should perhaps limit ourselves to stressing that, in view of the strengthening of relations between developed countries and the trends towards a multipolarity at the centre of the present world-economy, which is a typical characteristic of a phase in which the world-economy is being restructured, the declining American hegemony continues to be supported by new mechanisms that have somehow made it possible for its influence to continue. These mechanisms are basically related to strictly economic aspects, but the new technologies linked to the increasing domination of the English language (which is the language used by those two countries which have successively been the dominant spaces during the age of MEG) have now added an important mechanism of hegemony to the spread of cultural patterns and the patterns of consumption⁸.

⁷ There have been several historical analyses of the evolution of the relations (of economic power) and the hierarchical structure of the national spaces comprising the contemporary world economy up to the present moment, and these studies have made it possible to identify the disruptions and continuities in this phase. Adda (1997) is a good example of such a synthesis; Kennedy (1988), Oman (1994) and UNRISH (1995) are also important references in this area.

⁸ We should, for example, refer here to the great number of American programmes that will be seen on televisions worldwide or the great number of American films on exhibition at world fairs [UNRISH (1995, 29)].

5 – Conclusion

The globalisation process does not correspond to a new economic age but simply to yet one more phase in the present economic age. In concrete terms, this is the age that is engaged in preparing for the third industrial revolution; in terms of cyclical analysis, it is the recovery phase of the fourth Kondratieff cycle, which will continue into the expansion phase of the fifth Kondratieff cycle.

As in the corresponding phases of previous cycles, namely those occurring at the end of the nineteenth century and in the 1930's, fresh processes are being introduced for technological, organisational, institutional and spatial destructuring, almost always being implemented in a disproportionate and uneven fashion, leading to an increase in social and regional inequality, serious social disturbances, an exacerbation of nationalist sentiments, a struggle for economic dominance, as well as the creation of new economic and social ideas for solving the problems that have arisen. Two factors intensify the apparently even greater drama of events as we draw towards the end of this century: the fact that we are actually living through these disturbances now and the more than 120 satellites that make it possible for information to be flashed instantly all around the globe.

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